Department for Business & Trade

Foreign, Commonwealth & Development Office

Department for Transport

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Dear Liam,

Update on the launch of the Office of Trade Sanctions Implementation (OTSI)

We are writing to update you and the Committee that tomorrow (10 October 2024), the Department for Business and Trade (DBT) will launch the Office of Trade Sanctions Implementation (OTSI). OTSI is a new unit, equipped with enhanced powers, to strengthen the implementation and enforcement of trade sanctions.

Following Russia's full-scale invasion of Ukraine, the UK imposed sanctions against Russia on an unprecedented scale. These sanctions have deprived Russia of more than $400bn since February 2022. By one estimate, that's equivalent to four more years of funding for the invasion. The creation of OTSI will help ensure that the UK's trade sanctions regimes have maximum impact.

The Trade, Aircraft and Shipping Sanctions (Civil Enforcement) Regulations 2024, which come into force on 10th October 2024, grant OTSI new civil enforcement powers, which complement HMRC's existing powers to enforce trade sanctions. While HMRC continues to be responsible for enforcement in relation to goods and technology that cross the UK border, OTSI will lead on the enforcement of:

- the provision or procurement of sanctioned services;
- moving, making available, or acquiring sanctioned goods outside the UK (where a UK person is involved);
- transferring, making available or acquiring sanctioned technology outside the UK (where a UK person is involved);
- providing ancillary services to the movement, making available or acquisition of sanctioned goods outside the UK (where a UK person is involved); and

- providing ancillary services to the transfer, making available or acquisition of sanctioned technology outside the UK (where a UK person is involved).

The Office of Financial Sanctions Implementation in HM Treasury remains responsible for enforcement of the oil price cap.
A key part of making UK sanctions bite is improving compliance. As well as tackling breaches when they occur, OTSI is being established to help UK businesses comply with their obligations under UK trade sanctions, through engagement with industry and by providing information and guidance. OTSI will also deliver the sanctions licensing function for standalone services, including professional and business services.

Trade sanctions licensing for goods exports and ancillary services currently remain the responsibility of the Export Control Joint Unit (ECJU). DBT's Import Controls Team will continue to be responsible for licensing the import of goods and other activities (including provision of ancillary services) which are prohibited under UK import sanctions.

To strengthen the UK's enforcement approach to sanctions, OTSI has new powers to request, share, and publish information about sanctions breaches. There are also new reporting obligations for financial services, money services businesses and legal service providers. These will help OTSI to detect and investigate suspected breaches of trade sanctions.

In addition, the Department for Transport will lead on civil enforcement in relation to aircraft and shipping sanctions. Similar to the Office of Financial Sanctions Implementation (OFSI) in the Treasury, and OTSI, this SI confers powers on the Secretary of State for Transport to request and share information, impose a civil monetary penalty, and to publish information about a breach of aircraft or shipping sanctions where a penalty has, or could have been, imposed. The legislation also places obligations on certain persons to report known or suspected breaches to DfT.

The UK's sanctions framework was severely tested by the unprecedented scale and scope of the sanctions we have imposed on Russia since 2022. This step change in how we use sanctions revealed areas which required further strengthening, including the need for civil enforcement powers for certain trade sanctions breaches. This government is committed to maximising the effectiveness of UK sanctions, including through significantly strengthening our sanctions enforcement tools. Launching OTSI and equipping it, and DfT, with an enhanced enforcement toolkit demonstrates that commitment.

We will continue to keep the committees updated as these new sanctions implementation and enforcement arrangements progress.

This government remains committed to engaging with select committees and is looking forward to writing on further matters soon.

Yours sincerely,

Jonathan Reynolds

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Louise Haigh

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